

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska Public Service Commission, on its own motion, seeking to investigate the use of expense caps in the earnings calculation for Nebraska universal service fund support.	Application No. NUSF-64
QWEST CORPORATION'S THIRD SET OF COMMENTS	

Qwest Corporation ("Qwest") submits its third set of comments in this docket, as follows. Qwest incorporates its other comments in this docket by reference.

As an initial observation in these comments, Qwest notes that the model proposed by Staff is somewhat inscrutable. Qwest does not know the households served count used by Staff in the proposed regression equation, and Staff has not provided information sufficient for the Commission to understand the methodology for obtaining household counts or to determine whether that methodology is reliable and accurate.

Further, the Staff's general methodology, apart from the steps in the regression analysis itself, remains unclear. Once it is determined where Qwest falls in the model output "Highest Allowable Cost," it is impossible at present to determine the processes or steps that Staff will follow in applying the regression analysis and any expense cap. As Qwest has noted in prior comments, it is important for ETCs to use NUSF support for its intended purposes. It is equally important, however, that a mere mathematical equation cannot be the sole determinant of whether support is being properly used. Qwest continues to recommend that any mathematical or regression analysis be used

solely as a tool to determine whether further analysis or investigation is warranted. To this point, however, the Commission's orders and Staff's proposals have been somewhat unclear as to how the regression analysis will be used and the impact of any particular result from the regression equation on any particular carrier. These questions must be answered in order to give parties fair notice of the expectations of the Commission and the requirements under which they will be operating. Qwest encourages the Commission to complete its detailed examination of these questions with a complete and understandable ruling and order.¹

Finally, the new Staff model leaves unanswered many of Qwest's concerns noted in prior comments, notably the concern that the model does not include or consider Qwest's costs incurred to provide lines that are ultimately sold or leased to other carriers on a wholesale basis. Qwest incurs significant costs to provide the network competitive carriers use to provide service, and these costs must be recognized in any evaluation of Qwest's costs. The model should include both retail and wholesale households and access lines.

¹ The Commission should also consider whether the rules being proposed are more properly the subject of a rulemaking proceeding. Formal rules provide parties with precise notice of the expected standard of performance and the impact of failing to meet that expected standard.

Dated Friday, January 18, 2008.

Respectfully submitted,

QWEST CORPORATION

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Certificate of Service

I certify that on the 18th day of January, 2008, a true and correct copy of the foregoing was sent via electronic mail and First-class U.S. mail, postage prepaid, to the following:

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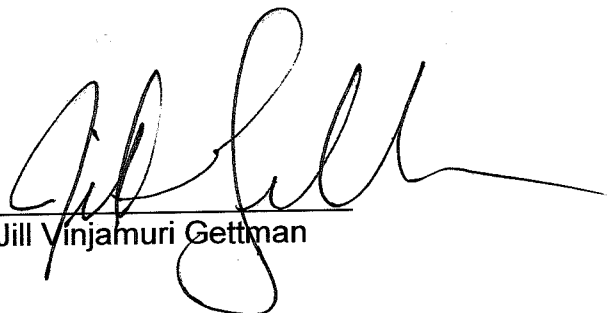
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